

## **KNOWLEDGE MANAGEMENT PROCESS IN SMALL AND MEDIUM ENTERPRISES IN INDIA**

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### **ABSTRACT**

This study focuses up on the process of knowledge management in the context of small and medium enterprises in the particular economy of India. Analysts have emphasized the importance of knowledge management as an important tool to render a strong market presence in the economy. Most of the automotive business of the economy are dominated and clustered with (Small and Medium Enterprises (SMEs). Huge technological advancements have implicated the entire industrial scenario in the recent times and knowledge management has been an important tool in the development of the automotive industry as well as the economy. This study particularly aims to evaluate the implications of knowledge management as an indicator of the growth of the trade opportunities in the particular industry of automobile. The study interprets the significance of knowledge management through extensive literature review of previous research data available from imminent analysts. The significance of knowledge management has been identified through the background review in many aspects including the quality management of a particular small enterprise. Theoretical competency frameworks like the iceberg model has been implemented to properly understand the visible and invisible factors of knowledge management. An innovative research methodology for qualitative and quantitative data analysis has been used. The sampling process consisted of 100 respondents for the quantitative data while for qualitative data, non-probability sampling technique has been used. The study resulted into important conclusions that provide links between the sales and growth of a company as a direct impact of knowledge management. The study established that knowledge management also provided critical competitive advantage to the industry.

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## INTRODUCTION

Over the last decade, knowledge management system in India has been developed in an efficient manner in order to enhance the business opportunities (Thakur and Sinha 2013)<sup>[13]</sup>. Small and Medium Enterprises (SMEs) in India have been focusing on developing their knowledge management system for making a strong presence in the competitive marketplace. Most of the business analysts have agreed with the fact that in recent times, knowledge management process has been very popular due to its ability to provide an adequate contribution to the management to achieve organisational goals and objectives in an appropriate manner. By utilising the knowledge assets, small and medium enterprises can enhance its growth in the market aggressively. The importance of knowledge management program in businesses is enormous. Knowledge management is not only needed by merely developing country like India but also it should be applied in small and medium industries in developed nations like UK, USA, Canada, etc. (Singh and Yadav 2009)<sup>[12]</sup>. In this paper, the perspective of knowledge management in India's small and medium enterprises has been discussed.

### 1.1 Background of the Topic

Knowledge management process is not only needed by the SMEs of India but also the large organisation needs to focus on the KM practices. Indian automotive companies are the fastest growing sectors of the Indian economy. The automotive companies are dominated by the small and medium industries. According to Pillania (2008)<sup>[11]</sup>, the knowledge management process facilitates in enhancing as well as updating the existing knowledge base of the organisation in order to achieve the business objectives. The SMEs of India is a US\$6.8 billion industry (Thakur and Sinha 2013)<sup>[13]</sup>. Moreover, the compound annual growth rate of the particular industry was 17% in 1998-2003. Based on the knowledge management programmes, the Asian countries have been experiencing the technological development along with the globalisation of the business. Small and medium organisations across all sectors have started focusing on the development of their existing knowledge management programmes for achieving the experiencing high growth in the industry.

### 1.2 The Significance of the Study

Over the years, several studies have been developed on knowledge management and its importance in the business. By discussing the knowledge management process largely followed by Indian Small and Medium industries, the growth of growth of trade opportunities experienced by these SMEs can be identified in an effectual manner. Most of the Indian CEOs feel that the innovation is the key factor of business for achieving the triumph across the global platform (Burke, 2011)<sup>[5]</sup>. In order to obtain an innovative solution for the business, the management of the organisation needs to focus on their knowledge management programmes. By analysing the knowledge management system practised by Indian SMEs, it can be assessed that these farms have been facing intricacies within the business for upholding the knowledge management programmes in a systematic manner (Omerzel, 2010)<sup>[10]</sup>. Moreover, there are differences between SME's knowledge management programmes and large organisations' KM practices. Hence, it can be assessed

that the knowledge management topic itself is a very important subject to analysis the chances of future development of Indian SMEs. Throughout the study, different aspects of knowledge management have been analysed relating to the Indian Small and Medium Enterprises.

### **1.3 Literature Review**

#### **1.3.1 The Need for Knowledge Management**

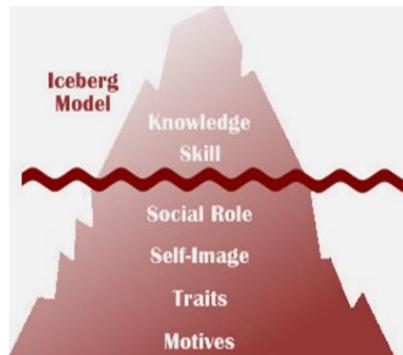
There are several business aspects which require the knowledge management programmes. First and foremost, the markets are gradually aggressive, and the importance of innovation is highly needed for the growth of any business. Without focusing on the establishment of the knowledge management programmes within the business, the organisation would not be able to capture the attention of the market. By involving the enhanced KM practices, the existing employees of the organisation can develop their professional skills in an appropriate manner, which can lead to improving organisational performance (Banerjee and Bhardwaj, 2002)<sup>[3]</sup>. Depending on the flow of knowledge in the business, the organisation can be potential for competition with its rival in the market. Sixty percent of India's GDP comes from the service industry (Lin, 2014)<sup>[9]</sup>. Hence, it is important for the organisations to follow various knowledge enhancement programs in order to develop their capabilities in order to deliver high-quality products and services to the customers. Amrinder (2016)<sup>[2]</sup> has discussed that the knowledge management is the major element in the quality management process, which can enhance the utilisation as well as the creation of knowledge within the organisation. In order to develop the Indian small and medium sector rapidly, the organisations must focus on their employees' capabilities and professional skills. By providing adequate training and development session, a part of knowledge management programmes, to the employees, the organisation can easily enhance their professional skills for delivering a high solution at the workplace. For gaining competitive strengths, the organisations need to focus on the implementation of various knowledge management programmes. Hence, it can be assessed that the involvement of the knowledge management process in the organisation is beneficial to many business's aspects such as improvement of organisational performance, gaining competitive advantages, and innovation (Thakur and Sinha, 2013)<sup>[13]</sup>. It can be evaluated that the knowledge management system is needed for small and medium organisations in India for achieving the rapid growth in the business.

#### **1.3.2 Theoretical Perspectives on Knowledge Management**

The iceberg model of competencies facilitates in explaining the concept of competencies in an efficient manner. An iceberg's one-ninth of its volume is placed above the water and rest of it remains beneath the surface of the water. Likewise, competencies also have some components which are visible to knowledge and skills, but other behavioural components like attitude, traits, thinking styles, self-image, and organisational fit are placed beneath the surface (Singh and Yadav, 2009)<sup>[12]</sup>. The visible components of iceberg model include skills and knowledge. Knowledge and skills indicate the information in the field of work. For developing knowledge and skills, the organisations need to arrange the various knowledge management programmes including training and development. Besides this, self-image indicates the identity of the employees within the organisation such as an

expert, a leader, a manager, etc. another element of competencies called 'motives' suggests what drive an employee for seeking achievements. It includes the influence or power, affiliation, etc. Traits suggest the habitual as well as enduring characteristics including flexibility, self-control, build trust, etc. according to the discussion made by (Thakur and Sinha, 2013)<sup>[13]</sup>, there are relations between the components of competencies above the surface and beneath the surface. In order to develop, knowledge management programmes in an efficient manner, the management of small and medium organisations needs to consider all elements of the iceberg's competency's model. Without considering the all elements of competencies such as knowledge, skills, social role, self-image, traits and motives, the organisations would not be able to develop their strategic approaches towards the implementation of effective knowledge management programme in the business.

**Figure 1: Iceberg Model**



Source: Lin (2014)<sup>[9]</sup>

### 1.3.3 The Potential Role of Knowledge Management in Indian SMEs

Over the past two decades, the cost decrease and better-quality production have been the prime challenge for the small and medium industries in India. In order to deliver the better quality product, the SMEs of India have been focusing on their knowledge enhancement process within the organisation (Omerzel, 2010)<sup>[10]</sup>. The implementation of the knowledge management programmes in the organisation was not an easy task due to the fact that the financial resources were the prime requirement for the establishment of effective KM practices in the business. Knowledge management has facilitated the organisation to conduct the business in innovative ways. Based on the success of knowledge management programmes, small and medium enterprises have obtained the opportunities of augmenting market shares as well as generating future prospects for the business. According to the discussion made by Pillania (2008)<sup>[11]</sup>, a knowledge management program can provide several beneficial aspects to the Indian firms such as better revenue generation, cultivating competitive benefit and employees' career development. Apart from this, the knowledge management system also allows the small and medium organisations to focus on customers' expectations. Hence, it can be assessed that the knowledge management strategies are the reasons behind the organisational performance.

### 1.3.4 Barriers to Espousal of Knowledge Management Solutions

In order to adopt knowledge management practices by the small and medium enterprises, the organisations have to face certain challenges. For example, the prime issue

of adopting knowledge management process by SMEs is the need for good financial resources (Banerjee and Bhardwaj, 2002)<sup>[3]</sup>. For a newly established small enterprise may not be able to deliver effective knowledge management programmes for their employees. Sometimes, there is a misconception among small enterprises that the knowledge management is a technology issue. Knowledge management is not a technology which holds back the organisation. The failure of knowledge management programmes can be observed due to lack of communication (Amrinder, 2016)<sup>[2]</sup>. There may be technical challenges for implementing various innovative knowledge practices. Sometimes, the employees of the organisations may face intricacies in capturing the tacit knowledge in an efficient manner. In most of the cases, it has been seen that the lack of knowledge sharing activities among employees is one of the major concerns for the organisation to develop the knowledge management process. Without sharing knowledge with others, the employees may feel the gap of knowledge between them. In some cases, the senior management of the organisation does not focus on the implementation of knowledge management programmes in the day to day work activities. Hence, the SMEs of India needs to consider these barriers for a successful implementation of KM program within the business.

## METHODOLOGY

Both qualitative and the quantitative data analysis has been used in this research study. The main purpose adopting the mixed approach is that through the quantitative data analysis the researcher will be able to get views from more respondents whereas the qualitative research data will help the researcher to get an in-depth understanding of the various factors that are related to the Knowledge management process in India (Kothari, 2004)<sup>[6]</sup>. Probability sampling process has been used for the collection of samples for this research study. As for qualitative data analysis, there was a need for the experienced respondents so that detailed explanation could be received from the respondents thus the researcher has used non-probability sampling technique in case of the qualitative data analysis (Kumar and Phrommathed, 2005)<sup>[7]</sup>.

For the collection of the quantitative data, the researcher has utilised the survey questionnaire whereby the survey questionnaire form was distributed among 100 respondents who are employed in the SMEs in India. In the case of the collection of the qualitative data, the researcher conducted face-face interviews of the different SME owners.

For the purpose analysing the data, a research hypothesis was developed to understand the process of the knowledge management of the SMEs in India. These research hypotheses are provided below:

- **Null Hypothesis (H<sub>0</sub>):** The process of Knowledge management that is followed in SMEs in India is effective in increasing the sales of the company.
- **Alternate Hypothesis (H<sub>1</sub>):** The process of Knowledge management that followed in SMEs in India is not effective in increasing the sales of the company.

## DATA ANALYSIS

In this section, the researcher has presented the analysis of the data that has been gathered by the researcher. The data analysis section has been divided into three major

sections which define the different processes of knowledge management; knowledge creation and sensing, sharing and dissemination of knowledge, organising and capturing knowledge. For the analysis of the quantitative data, the researcher has utilised the Chi-square test so that the correctness of the null hypothesis could be validated.

**Part – 1: Knowledge Creation and Sensing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Knowledge Creation and Sensing * Effectiveness	100	100.0%	0	0.0%	100	100.0%

**Chi-square Tests**

Statistic	Value	df	Asymp. Sig. (2-tailed)	Exact Sig. (2-tailed)	Exact Sig. (1-tailed)
Pearson Chi-Square	33.65	1	.000		
Likelihood Ratio	34.25	1	.000		
Fisher's Exact Test				.000	.000
Continuity Correction	28.83	1	.000		
Linear-by-Linear Association	33.11	1	.000		
N of Valid Cases	100				

**Part – 2: Sharing and Dissemination of Knowledge Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Sharing and Dissemination of Knowledge * Effectiveness	100	100.0%	0	0.0%	100	100.0%

**Chi-square Tests**

Statistic	Value	df	Asymp. Sig. (2-tailed)	Exact Sig. (2-tailed)	Exact Sig. (1-tailed)
Pearson Chi-Square	11.65	1	.001		
Likelihood Ratio	8.89	1	.003		
Fisher's Exact Test				.005	.005

Continuity	7.52	1	.005
Correction			
Linear-by-Linear	11.54	1	.001
Association			
N of Valid Cases	100		

### Part – 3: Organising and Capturing Knowledge

#### Summary

		Cases					
		Valid		Missing		Total	
		N	Percent	N	Percent	N	Percent
Organising and Capturing Knowledge * Effectiveness		100	100.0%	0	0.0%	100	100.0%

#### Chi-square Tests

Statistic	Value	df	Asymp. Sig. (2-tailed)	Exact Sig. (2-tailed)	Exact Sig. (1-tailed)
Pearson Chi-Square	18.02	1	.000		
Likelihood Ratio	17.33	1	.000		
Fisher's Exact Test				.000	.000
Continuity	15.65	1	.000		
Correction					
Linear-by-Linear	18.70	1	.000		
Association					
N of Valid Cases	100				

### 3.1 Qualitative Data Analysis

*Q1) What is the understanding of the SMEs regarding the knowledge management strategy to be adopted?*

The understanding regarding the knowledge management and its potential benefits are still not very much clear among the SMEs in India. Due to this lack of understanding among the SMEs regarding the potential benefits of the Knowledge Management, there still naivety in the knowledge management strategies that are adopted in the SMEs across India as their level of understanding regarding the Knowledge management concept reflects in their strategy.

*Q2) Does the state of the economy have an impact on the process of Knowledge Management process among SMEs in India?*

The state of the economy plays a very crucial role in the process of Knowledge Management among SMEs in India. When there is a boom in the economy thus there is

very little effort needed by the SMEs to sell their products with very little or no investments in different processes to increase their competitive advantage. This type of environment creates a false perception regarding the knowledge management process and their effectiveness in SMEs.

## DISCUSSION

From the analysis of the data it can be said that, in case of Part 1: Knowledge creation and sensing, when it was asked by the researcher to the respondents regarding whether the creation and sensing of knowledge in their organization has helped in increasing the sales of the organization most of the respondents said that they agree with the statement that the creation and sensing of knowledge has indeed helped in increasing the sales of the organization. The significance of the relationship between the knowledge creation and sensing and the effectiveness in increasing the sales, it was found that the Pearson's coefficient value is .000 which signifies that there is a significant relationship. Similarly, it was found that there is a significant relationship between the sharing and dissemination of knowledge and the organising and capturing knowledge with the effectiveness in increasing the sales of the company. Thus, from the analysis, it can be said that the null hypothesis ( $H_0$ ) could not be rejected.

## CONCLUSION

This research study has analysed the process of the knowledge management that is being followed in the SMEs in India and its impact on the sales of the company. As in these competitive times, the sales of the products are one of the most crucial factors which determines how much SMEs have been able to adapt themselves with the changing times and the levels of new skills and knowledge that has been gained by the SMEs which has provided them competitive advantage. The knowledge management process is based on three important factors; knowledge creation and sensing, sharing and dissemination of knowledge, organising and capturing knowledge. From the analysis, it was found that there is a significant relationship between these three factors and the rise in the sales of the SMEs.

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